



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

June 6, 1990

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (PRODUCTION AND LOGISTICS)
ASSISTANT SECRETARY OF THE ARMY (FINANCIAL MANAGEMENT)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Report on the Audit of Screening of Materiel Available in the Defense Reutilization and Marketing Service (Report No. 90-080)

This is the final report on the Audit of Screening of Materiel Available in the Defense Reutilization and Marketing Service (DRMS) for your information and use. Comments on a draft of this report were considered in preparing the final report. We performed the audit from October 1988 through June 1989. The audit objectives were to evaluate the adequacy and effectiveness of the DoD wholesale inventory management activities' screening and requisitioning of materiel in the DRMS during the Front End Screening (FES) and Final Asset Screening (FAS) processes. We also reviewed the internal controls used to ensure that applicable policies were enforced. The DRMS offered materiel valued at \$839 million for FES and \$677 million for FAS in fiscal year 1988.

DoD Components' screening and requisitioning of materiel available in the DRMS through the FES and FAS programs generally was not adequate or effective. The Components' major inventory activities often were not recovering materiel that could have been used to satisfy forecasted requirements and authorized inventory retention levels. The results of our audit are summarized in the following paragraph, and the details, audit recommendations, and management comments are in Part II of this report.

DoD wholesale inventory management activities did not adequately screen, and submit valid requisitions for, materiel that was offered by DRMS through FES and FAS. We estimated that for the 4-month period from August 21 through December 20, 1988, \$26.9 million of materiel should have been ordered by wholesale inventory management activities from DRMS in response to FES/FAS notices, but only \$3.7 million of materiel was ordered. Although some of the materiel that should have been recovered from the system by wholesale inventory management activities may have been

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DEPARTMENT OF DEFENSE

AUDIT REPORT

AUGMENTATION OF OPERATIONS AND MAINTENANCE FUNDS BY
THE NAVAL SUPPLY SYSTEMS COMMAND

No. 90-079

June 5, 1990

*Office of the
Inspector General*



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INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202

Report
No. 90-078

May 31, 1990

MEMORANDUM FOR ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)

SUBJECT: Final Quick-Reaction Report on the Accountability and
Control of Reclaimed B-52 Assets, Tail Number
B52G-58-0190 (Project No. 9LB-0062.01)

Introduction

On August 30, 1989, we started the Audit of Accountability and Control of Materiel at Depot Maintenance Facilities (Project No. 9LB-0062). The audit objective was to evaluate the effectiveness of internal control policies and procedures used to account for and control materiel used by depot maintenance facilities. During the audit, we reviewed the accountability and control over assets reclaimed from a fire damaged B-52 aircraft. The B-52 system program manager did not comply with the requirements of Air Force Logistics Command Regulation (AFLCR) 65-31, "Reclamation of USAF Property," December 11, 1989, resulting in the lack of accountability and control over reclaimed assets valued at least at \$2.4 million and maybe as much as \$15 million. In addition, the disassembly activity did not identify and document the assets removed from the aircraft. Prompt action is required because the lack of accountability may result in the unnecessary procurement of aircraft parts. There is also an increased risk of loss due to theft.

Background

In August 1989, a B-52 aircraft, tail number B52G-58-0190, which was receiving depot maintenance at the San Antonio Air Logistics Center, Texas, caught fire and was partially destroyed. Although the aircraft was heavily damaged, assets remained that could have been reclaimed. We visited the San Antonio Air Logistics Center and the system manager's office at the Oklahoma City Air Logistics Center, Oklahoma City, Oklahoma, during our review of this reclamation project.

AFLCR 65-31 describes the policies and procedures for reclaiming assets. Reclaiming assets and maintaining asset control is the joint responsibility of the system manager, the inventory control points (ICP), and the disassembly activity.

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